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Tendencies on World and European Cotton Yarn Markets (Results of Market Structure Analysis)

Abstract

This paper encompasses an analysis of the cotton yarn (c.y.) market in the European Union (EU) as well as the main tendencies present in that market against a backdrop of world market tendencies over the period 2000–2006. A market analysis was conducted for all 27 states currently making up the EU, including Poland for the years 2000, 2004, 2005, and 2006. The common European market of the 27 member states as well as internal trade within the EU and external trade with the third countries were taken into account.

Key words: cotton yarn, market, EU, internal trade, external trade, Poland.

Introduction

This paper encompasses an analysis of the cotton yarn (c.y.) market in the European Union (EU) as well as the main tendencies present in that market against a backdrop of world market tendencies over the period 2000–2006.

A market analysis was conducted for all 27 states currently making up the European Union (EU 27), including Poland for the years 2000–2006. The common European market of the 27 member states and internal trade within the EU were taken into account. With respect to external EU trade, research results are presented in table and graph forms for the ten largest partners in any geographical direction. The value aggregate levels are expressed in current euro prices per kilogram for the EU market and in American dollars (USD) for the world market for comparative purposes.

Product definition and defining the relevant geographical market

The product analysed is defined in international foreign trade nomenclature (SITC – UN Standard International Trade Classification) as sub-group 6513 – cotton yarn other than sewing thread. Statistics make possible the further subdivision of this sub-group into four items:

- 651.31. – c.y. containing 85% or more cotton by weight, put up for retail sale,
- 651.32. – c.y., other, put up for retail sale,
- 651.33. – c.y. containing 85% or more cotton by weight, not put up for retail sale,
- 651.34. – c.y., other, not put up for retail sale,

The analysis encompassed the markets of the 27 EU member states, including the 15 “old” and the 12 “new” members.

Technical remarks

The study was based on the EUROSTAT (DVD-ROM and the epp.eurostat.cec.eu.int/portal/ web page) [1], OECD (OLIS-NET), UN (Comtrade Database, Common Database) [2] electronic collections, and to a lesser extent on official printed data, such as the *Eurostat Yearbook* (relevant years), the *UN Industrial Commodity Statistics Yearbook*, the *China Statistical Yearbook*, Beijing, etc. [3] Data relating to the foreign trade of EU countries are considered official when published by EUROSTAT in accordance with CN and SITC nomenclature, with values stated in euros and quantities in tons. The four-character product codes available for foreign trade were used, but the same official detailed data could not be procured for the industry. In order to define market aggregates, it is necessary to define production volume with the same level of detail as foreign trade. Thus, production data in line with the PRODCOM-EUROSTAT list was used. Items available on this list contained several CN items, but these were not complete. They were separated by assessment in accordance with other information, while data that were completely lacking were estimated. Data conversion using appropriate transformation keys was conducted in order to adapt them to the SITC items analysed. For this reason, data relating to production at this level of detail should be treated as approximate. Data on world production were derived from the sum of data reported by various countries to the UN and, at times, from statistics of the countries themselves or as provided by international organisa-

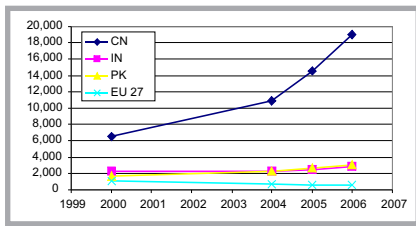


Figure 1. Trends of cotton yarn production in China, India, Pakistan and the EU27 for the period 2000-2006 in thousands of tons; source: own calculations based on [2]. **Remark:** in all figures and some tables the states are marked by symbols according to ISO 3166-1 alpha-2 code: Austria (AT), Belarus (BY), Belgium (BE), Bulgaria (BG), China (CN), Czech Republic (CZ), Denmark (DK), Egypt (EG), Estonia (EE), Finland (FI), France (FR), Germany (DE), Great Britain (GB), Greece (GR), Hong Kong (HK), Japan (JP), South Korea (KR), Hungary (HU), India (IN), Indonesia (ID), Ireland (IE), Italy (IT), Latvia (LV), Lithuania (LT), Luxembourg (LU), Morocco (MA), Netherlands (NL), Pakistan (PK), Peru (PE), Poland (PL), Portugal (PT), Romania (RO), Russia (RU), Slovakia (SK), Slovenia (SI), Spain (ES), Sweden (SE), Switzerland (CH), Syria (SY), Tajikistan (TJ), Thailand (TH), Turkey (TR), Turkmenistan (TM), Ukraine (UA), United States of America (US), Uzbekistan (UZ), Zambia (ZM)

tions such as the International Cotton Advisory Committee (ICAC). Ultimately, certain data, especially for countries reporting their statistical data with a delay or not reporting data at all, were estimated. Sums of statistical aggregates for the whole world are, as usual, approximate in character and that is how they should be treated.

World tendencies in production and trade World c.y. production demonstrated significant growth in the years 2000 and 2006 - a total of 73 percentage points[2], which mainly took place over the last two to three years of this period. The reason behind this phenomenon is undoubtedly the elimination of import quotas by the WTO in 2005. The potential created

was immediately taken advantage of by the three greatest potentates in the production of such yarn - China, India, and Pakistan - which increased their exports. China was in the forefront together with its specially administered Hong Kong region, which grew threefold in terms of the quantity of exports, and by about 50% with respect to value. India and Pakistan were somewhat more restrained with a quantitative growth of approx. 50% and 30% in terms of value. This signifies a major increase in c.y. supply at significantly lowered prices. Other countries are behaving in a rather stable manner and most have even decreased their market share - i.e. the EU [2-3].

India intends to make investments in the textile industry over the coming years at a level aimed at doubling the production of yarn between the years 2000 and 2012 - i.e. up to 6,597,000 tons, where cotton will account for three-quarters of production. Pakistan is signaling similar intentions, though it has not announced any quantitative data. However, it is China that can destabilise the c.y. market to the greatest extent. China is the world's largest producer of such yarn (over one-half of world production), and together with the specially administered regions of Hong Kong and Macau, it is the world's greatest exporter of such yarn (a total of over 40%). Hong Kong exports approx. 1.3 million tons of this yarn, which is almost one-third of world exports. However, its statistics do not disclose the source of such huge amounts of yarn as, by itself, it only produces approx. 60,000 tons, of which all is exported to China. One-half of Hong Kong's exports are re-exports from China. However, its exports continue to lack coverage in domestic production. The conclusion is that China is exporting twice as much yarn to Hong Kong as it states in its statistics, which is why Hong Kong is

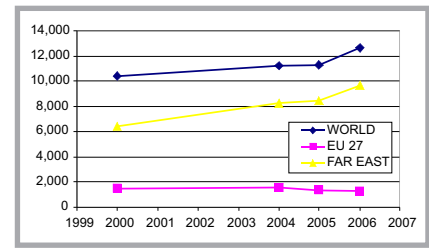


Figure 2. World cotton yarn exports and that of selected regions (EU27 and Far East) for the period 2000-2006 in millions of USD; source: given in Figure 1.

becoming the "alleged" main world exporter of c.y. (overtaking China).

China does not state its intentions as to investments in the textile industry. However, estimates assume growth that is significantly greater than India's, perhaps even by a factor of two. Taking into account such major expansion on the part of the three great potentates, no one shall be capable of competing over the coming years, including the smaller countries of the Far East, which is of particular relevance to the EU. It is possible that the three shall strive to take over 90% of the world c.y. market at very low prices [2 - 3].

World c.y. producers were characterised by an upward trend throughout the entire period examined (2000 - 2006). Growth in world production amounted to almost 14 million tons, which was primarily achieved by the countries of the Far East, generally China, India and Pakistan In the EU27 a small decreasing tendency was observed (see **Figure 1**). Also, world c.y. exports were dominated by exporters from the Far East, especially from Hong Kong, India, China and Pakistan (see **Figures 2 and 3**).

Growth in the world import of cotton yarn over the period examined reached almost USD 1.8 million, of which USD 1.6 million was from importers from

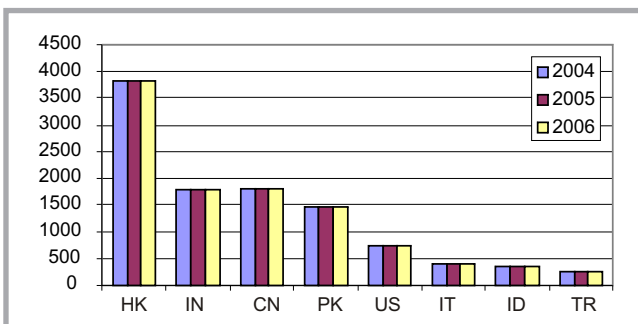


Figure 3. Export value trends for selected countries during the period 2004-2006 in millions of USD; source: given in Figure 1.

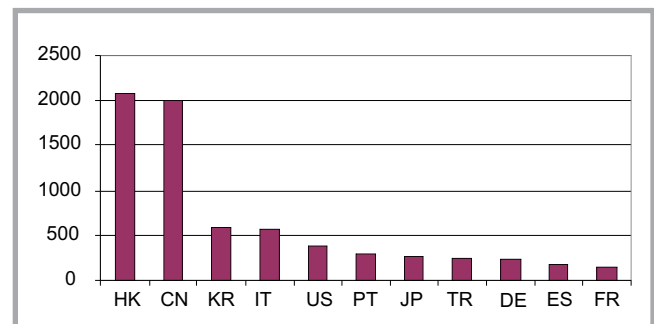


Figure 4. Value of c.y. imports to selected countries in the year 2006 in thousands of USD; source: given in Figure 1.

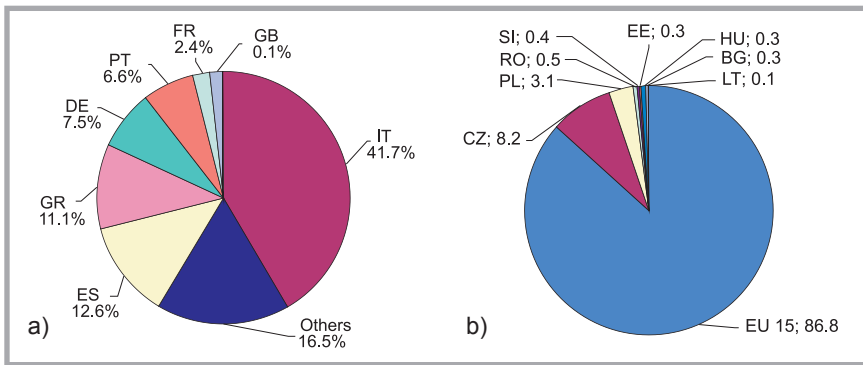


Figure 5. Geographical structure of c.y. production in the year 2006 in %: a) in the EU15; source: own calculations based on [1]; b) EU27 with special reference to new EU members.

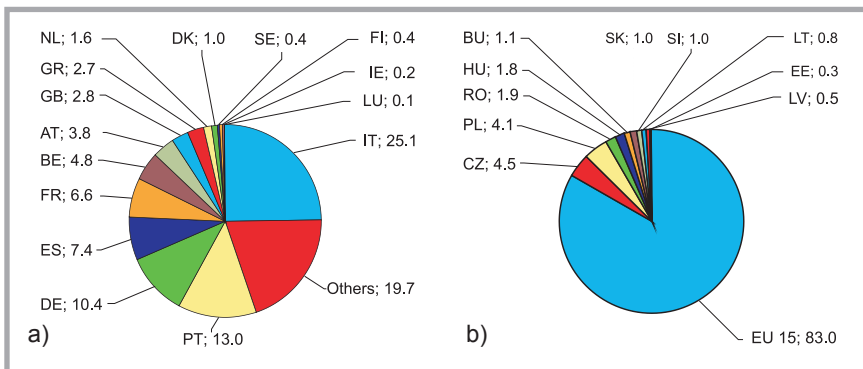


Figure 6. Geographical structure of c.y. imports in the year 2006 in %: a) to the EU15; b) – EU27 with special reference to new EU members; source: given in Figure 5.

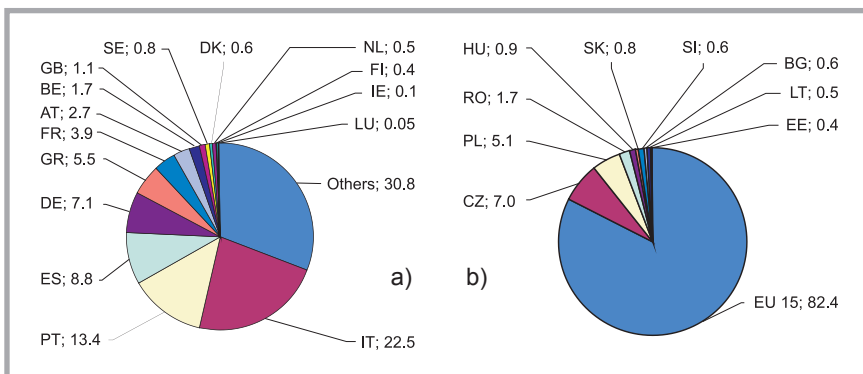


Figure 7. Geographical structure of c.y. Market Volume in the year 2006 in %: a) in the EU15; b) in the EU27 with special reference to new EU members; source: given in Figure 5.

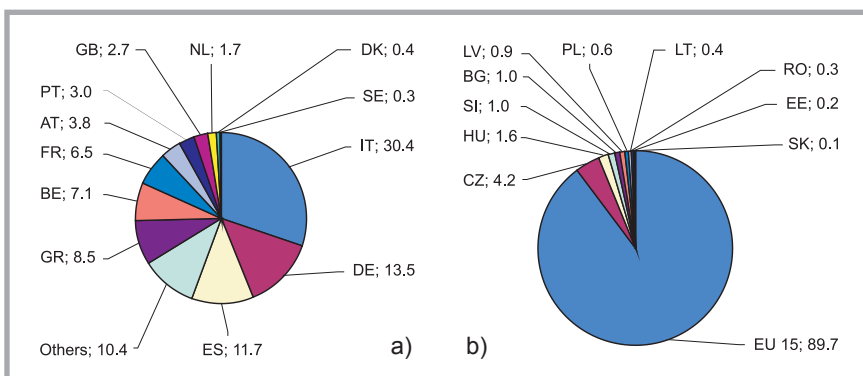


Figure 8. Geographical structure of c.y. exports in the year 2006 in %, a) from the EU15, b) from the EU 27 with special reference to new EU members; source: given in Figure 5.

the Far East (mainly Hong Kong, which in the year 2006 accounted for 22% of world imports, China with 21%, South Korea with 6%, Italy with 6%, and the US, Japan, Turkey, Portugal, Germany, Spain, and France comprising the rest), whereas importers from the EU represented USD 45,000 (see **Figure 4**).

Production of cotton yarn in the EU

The production of c.y. in the EU over the period examined was characterised by a systematic downward trend from EUR 2,684 million to EUR 1,450 million. Dominant positions in the EU were occupied by companies from Italy (with their share growing from 28.1% to 41.7%) and Spain (with their share growing from 12.5% to 15.1% over the period 2000–2005, but subsequently falling in 2006 almost to its 2000 level of 12.6%). Portuguese companies were also major producers, whose share of production in the year 2000 was 10.2% but fell systematically to 6.6% by the year 2006. Greek companies, also major producers, maintained their share at approx. 11% over the period examined. Other major yarn producers on the European market over the period investigated are those from Germany (approx. 7.5%) and France, which noted the same systematic downward trend in their share as compared with the whole EU - from 10.0% in the year 2000 to 2.4% in 2006. Among the new EU member states, it is the growing position of Czech (with a growth of 4.9% in the year 2000 to 8.2% in 2006) and Polish producers (at a level of approx. 3.8%, but experiencing a drop to 3.1% in 2006) that are worth noting. The detailed geographical structure of the c.y. production market within the EU27 in the year 2006 is presented in **Figure 5** whereas of the market volume in **Figure 6** [1].

Internal imports in the EU

A downward trend from EUR 2,418,000 in 2000 to EUR 1,814,000 in 2006 can also be observed in the import of c.y. into the EU member states [1]. Among leading importers in trade within the EU are Italian companies with a growth trend from 21.0% to 25.1%, Portuguese with a growth trend in their share from 10.4% to 13.0%, and Spanish with a share of approx. 7%, French companies with a fall in their share from 8.7% to 6.6%, Belgian also with a clear fall in their share

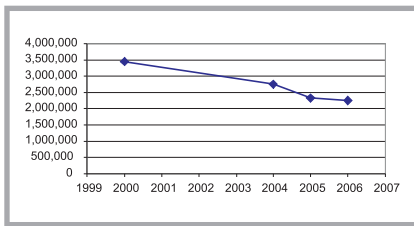


Figure 9. Trends in the EU27's c.y. market volume for the period 2000-2006 in thousands of Euros; **source:** given in Figure 5.

from 7.4% to 4.8%, and Austrian with a share of approx. 4%. Among the new EU member states, leading importers include companies from the Czech Republic (with a clearly growing share in imports from the EU from 2.6% to 4.5%) as well as Poland (with a growth in imports from the EU from 1.7% to 4.1% over the period examined). Worth noting is the clearly growing share of importers from Bulgaria and Romania. The detailed geographical structure of c.y. imports within

the EU 15 and EU27 internal markets in the year 2006 is presented in **Figure 7**.

Internal exports in the EU

As regards the sale of yarn on the common European market, the leading suppliers are companies from Italy (with an approx. 30% share), from Germany (with an approx. 14% share), Spain (with an approx. 11% share), Belgium and France (with an approx. 7% share each), and Austria (with an approx. 4% share) [1]. As for the new EU member states, the greatest share and clearly visible growth were seen in companies from the Czech Republic (growth over the period examined was from 2.1% to 4.2%) and Hungary (a growth from 1.8% to 3.6% was noted over the years 2000 – 2005, followed by a fall to 1.6%). The Poland's share of internal sales of c.y. on the European market was relatively small in com-

parison with the countries already mentioned, albeit growing. However, it failed to exceed 0.6% in its best year - 2006. The detailed geographical structure of c.y. exports within the EU27's internal market in the year 2006 is presented in **Figure 8**.

Cotton yarn market value (production and imports-exports) on the European single market

The cotton yarn market volume in the EU showed a downward tendency from EUR 3,457,000 to EUR 2,247,000 over the period examined [1] (see **Figure 9**). Similar to what was demonstrated in the previous analysis of market volume components, the leading and growing positions were held by Italian companies, which by the end of the period examined, increased their volume share on EU markets to over 33%. In their turn, companies from Portugal, which were in second place, achieved a share of over 13% with a slight downward tendency, companies from Spain approx. 9%, those from Germany were at a level of approx. 7%–8%, Greek companies approx. 5%–6%, while companies from Austria represented over 2.5%. From among the new EU member states, the clear leaders were companies from the Czech Republic, with a growth in EU market volume of 7% in 2006, and from Poland with a share of approx. 5%. Also worth noting is the share of companies from Romania at almost 2% (see **Figure 6**).

External yarn imports and exports between the EU and third party states

As can be deduced from **Table 1**, the external import of yarn to the EU from third party countries was marked by a slight downward tendency. Among the main directions of external imports of yarn to the EU - imports from third party countries - were India, Turkey, Pakistan (with a clear growth tendency), Egypt, China, Syria, Uzbekistan, Indonesia, Thailand, Peru, Zambia and Turkmenistan.

Table 2, presents the results of EU external exports to third party countries. These demonstrated a downward tendency over the period examined. Such exports were directed to the United States,

Table 1. European Union – Geographical Directions of Cotton Yarn Imports (applying the SITC 6513 code); **Source:** Own calculations based on UN Comtrade Database and UN Common Database.

	Year	VALUE (IN THOUSANDS OF EUROS)				QUANTITY (IN TONS)			
		EU (27)	IT	PT	DE	EU (27)	IT	PT	DE
INTERNAL IMPORTS	2000	1298127	156405	121939	217461	379856	43919	39616	68387
	2004	992808	103558	110321	147862	314469	29880	39723	54007
	2005	825553	78533	92705	122314	274196	24853	36790	45856
	2006	775473	75629	75689	106611	249913	21474	29732	40479
From PL	2000	904	411	0	66	357	187	0	16
	2004	1470	109	6	102	647	35	3	19
	2005	2991	269	1	411	1112	83	0	82
	2006	5187	585	29	495	1752	64	14	182
EXTERNAL IMPORTS	2000	1119911	352501	129501	110811	326186	95308	43869	29324
	2004	941365	289357	139995	77549	348293	92846	60117	26641
	2005	813886	288485	116752	74017	325751	96808	56817	27758
	2006	988956	380469	160685	81361	371671	112458	74591	30874
From IN	2000	233771	84865	17078	20599	57294	15091	4483	5380
	2004	199029	76461	18650	20426	59510	17952	6567	7150
	2005	225450	95935	21132	22156	78290	25519	8587	8615
	2006	273087	107226	35667	28591	94882	26248	15356	11687
TR	2000	248451	97272	29556	12771	84646	33383	10160	4248
	2004	219060	59542	36962	8722	93660	23933	16791	3323
	2005	188232	51534	29967	10574	87480	22907	15162	5115
	2006	240894	71446	41800	14166	104517	29300	19757	6368
PK	2000	47629	10474	13468	1257	18182	4215	4807	496
	2004	55193	16457	16686	2036	22314	6092	6794	742
	2005	60803	22659	20351	1757	27814	8789	9650	745
	2006	97249	34334	37323	2251	42294	11897	17347	1035
EG	2000	114352	61184	7509	10125	23834	12079	1629	2468
	2004	82828	46688	6293	6507	22518	11947	1900	1951
	2005	73448	45712	3747	6987	19867	11964	1178	2055
	2006	82100	52109	5907	6699	18702	11346	1178	1735
CN	2000	24275	46	0	66	3040	8	0	17
	2004	13437	4831	8	114	3172	983	2	21
	2005	19750	11260	240	127	4567	2204	49	24
	2006	61040	50857	2504	359	12136	9001	688	77
SY	2000	73087	35583	23557	1471	27462	13737	8428	567
	2004	64039	28525	8086	3372	31034	13539	3759	1644
	2005	35607	17738	3197	3725	18312	9039	1620	1695
	2006	43068	24091	4176	4203	21891	11789	2039	1954
UZ	2000	48058	3904	10572	6606	19582	1533	4229	2716
	2004	61286	6204	14610	3203	29327	2666	7027	1668
	2005	34621	2586	8048	3091	20079	1507	4619	1880
	2006	31275	1257	8646	4755	17867	713	4889	2653
ID	2000	21647	500	266	3091	6726	167	87	948
	2004	25366	2671	2688	6337	11163	958	1110	3147
	2005	20048	2840	1424	5803	9587	1185	692	2949
	2006	19629	1941	1906	3029	8690	780	929	1449
TH	2000	9327	2173	384	2616	2656	511	106	792
	2004	21825	3701	4109	1152	8274	1358	1646	476
	2005	16418	3889	4430	829	6811	1631	1899	352
	2006	14882	4632	3357	736	5833	1759	1356	326
PE	2000	10358	1755	61	3018	1586	219	6	484
	2004	11351	3862	671	1630	2068	572	128	307
	2005	11454	3143	82	1283	2042	433	11	237
	2006	12478	4283	81	1996	2134	573	19	361
ZM	2000	29916	470	963	453	10632	152	390	173
	2004	14275	2292	227	1240	6123	841	88	540
	2005	13834	3926	40	1029	6142	1623	15	471
	2006	11183	2281	0	712	4791	782	0	302
TM	2000	10893	6602	150	1075	3900	1884	69	538
	2004	9716	3554	3279	29	4361	1298	1608	15
	2005	6865	1427	4558	0	3619	504	2551	0
	2006	10377	2167	6251	0	5549	760	3479	0

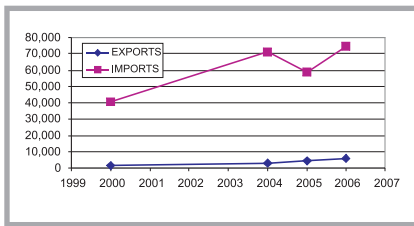


Figure 10. Cotton yarn exports from Poland and imports to Poland in the period 2000 - 2006 in thousands of Euros. **Source:** own calculations based on [2].

Switzerland, Hong Kong, Morocco and Turkey.

As can be concluded from the data presented in **Table 3**, the share of external producers in the EU market volume increased over the period 2000 – 2006 from approx. 70% to 78.5%. On the other hand, the share of producers from the uniform European market fell from approx. 30% to 21.5%, respectively. As regards the share of internal producers, Poland's share in the yarn market volume on the uniform European market increased to 0.2 percentage points.

Among suppliers external to the EU, the first place is occupied by companies from India and Turkey (approx. 12% and 11%, respectively), followed by Pakistan, Egypt, China, Syria, Uzbekistan, Indonesia, Thailand, Peru, Zambia and Turkmenistan (see the detailed data in **Table 4**).

Poland's position on the EU c.y. market

The position of companies from Poland with respect to the internal import of c.y. from the EU is defined in **Figure 10**. It shows that the value of imports from Poland on the uniform European market has been growing (over fivefold) over the whole of the period examined, from EUR 904,000 in the year 2000 to EUR 5,287,000. The detailed data show that this growth was particularly strong on the German and Italian markets. For its part, the position of Polish companies regarding the internal export of c.y. in the EU is also presented in **Figure 10**. It was marked by a doubling of the export value over the examined period from EUR 15.6 million to EUR 30.9 million, where the origins of directions of sales, such as Italy, German and Spain, were of particular importance.

During the period 2000-2006, Polish companies increased their c.y. **import tendencies** by an approximate factor of two (from EUR 17.6 million to EUR 35.0 million), where among the directions of c.y. supply origin within the EU, primarily Germany, Spain, Italy, Greece, the Czech Republic, Austria, Belgium and Great Britain were dominant. As for the directions of origin for imports of yarn from outside the EU, it was Turkey, India, Uzbekistan, Tajikistan, Pakistan, and Turkmenistan that were in the lead (see **Table 5**) [1, 2].

Table 5 shows c.y. exports from Poland on the common European market, which increased from EUR 1.2 million to almost

EUR 6 million over the period examined and were mainly directed to the Czech Republic, Lithuania, Latvia, Estonia and Hungary. Among the customers from the "old" member states, it was Italy, Finland and Great Britain that were dominant. Among the customers from outside the EU, the most important role in the Polish export of c.y. was played by such sales markets as Russia, the Ukraine, Belarus, Turkey and India (see the results of the analysis presented in **Table 5**).

Cotton yarn prices on the EU market

The average prices for c.y. on the EU market (calculated according to "unit

Table 2. European Union – Geographical Directions of Cotton Yarn Exports (applying to SITC 6513 Code); **Source:** Own calculations based on UN Comtrade Database and UN Common Database.

	Year	VALUE (THOUSANDS OF EUROS)				QUANTITY (TONS)			
		EU/27/	IT	DE	ES	EU/27/	IT	DE	ES
INTERNAL EXPORTS	2000	1357819	344882	216087	154656	402767	91398	58726	67665
	2004	1020976	256064	165160	119816	368157	66220	46087	59997
	2005	874470	227012	132446	103780	292642	59295	35446	56580
	2006	803564	224907	116562	90955	265505	56823	31295	49163
To PL	2000	15592	2001	4224	4308	5056	548	1272	2143
	2004	30550	7304	6503	5441	11635	2612	2278	3004
	2005	29901	5368	6442	6231	13154	2478	2440	3689
	2006	30930	4355	8253	5532	13146	1555	3312	3357
EXTERNAL EXPORTS	2000	286960	145689	25454	18861	43963	19739	3988	7014
	2004	220654	87252	19045	33220	40928	12383	3195	12862
	2005	198748	80781	18066	30390	37037	10999	2686	13082
	2006	214328	84834	20361	28062	38826	11794	3406	12530
To US	2000	88574	46491	4531	3888	8669	5107	993	1081
	2004	30544	8075	1959	1570	2506	541	233	670
	2005	32959	8028	2146	1678	2157	402	325	614
	2006	37724	4324	1264	2641	2381	354	138	925
CH	2000	35153	16535	7918	165	5752	2627	1273	29
	2004	20351	7397	4093	18	3179	986	800	2
	2005	17742	6282	3545	134	2637	870	574	21
	2006	19056	5654	4658	77	3209	962	974	13
HK	2000	24086	20852	310	191	1235	1080	38	9
	2004	14505	13847	103	204	864	826	5	11
	2005	15023	14145	403	39	1021	920	44	3
	2006	17289	15052	768	271	1203	896	83	33
MA	2000	14483	2099	346	4220	3911	687	49	1622
	2004	25229	887	1044	17519	6847	161	277	5343
	2005	20375	547	298	14133	6044	102	45	4772
	2006	17087	2261	1460	8180	4532	565	132	2659
TR	2000	21442	16743	1327	217	3111	1932	269	73
	2004	21795	17727	1353	548	3352	2280	145	262
	2005	17291	12760	1592	172	2808	1572	213	137
	2006	16237	12083	1665	90	2406	1377	205	62

Table 3. European Union – Cotton Yarn Market Volume and Share of External Exporters (applying the SITC 8513 code); **Source:** Own calculations based on UN Comtrade Database and UN Common Database.

Country	MARKET VOLUME (in thousands of euros)				SHARE (in %)			
	2000	2004	2005	2006	2000	2004	2005	2006
EU (27) MARKET VOLUME	3457585	2740445	2327232	2246899	100.0	100.0	100.0	100.0
I. Domestic producers	1039547	806272	687794	482470	30.1	29.4	29.6	21.5
II. External producers	2418038	1934173	1639439	1764429	69.9	70.6	70.4	78.5
A. Inside European Union	1298127	992808	825553	775473	37.5	36.2	35.5	34.5
PL	904	1470	2991	5187	0.0	0.1	0.1	0.2
B. External to the European Union	1119911	941365	813886	988956	32.4	34.4	35.0	44.0
IN	233771	199029	225450	273087	6.8	7.3	9.7	12.2
TR	248451	219060	188232	240894	7.2	8.0	8.1	10.7
PK	47629	55193	60803	97249	1.4	2.0	2.6	4.3
EG	114352	82828	73448	82100	3.3	3.0	3.2	3.7
CN	24275	13437	19750	61040	0.7	0.5	0.8	2.7
SY	73087	64039	35607	43068	2.1	2.3	1.5	1.9
UZ	48058	61286	34621	31275	1.4	2.2	1.5	1.4
ID	21647	25366	20048	19629	0.6	0.9	0.9	0.9
TH	9327	21825	16418	14882	0.3	0.8	0.7	0.7
PE	10358	11351	11454	12478	0.3	0.4	0.5	0.6
ZM	29916	14275	13834	11183	0.9	0.5	0.6	0.5
TM	10893	9716	6865	10377	0.3	0.4	0.3	0.5

Table 5. Origin of imports of c.y. to Poland and directions of c.y. exports from Poland; **Source:** own calculations based on [2].

Country	Imports value in thousands of euros in the year				Country	Exports value in thousands of euros in the year			
	2000	2004	2005	2006		2000	2004	2005	2006
TOTAL from:	40566	71202	58909	74605	TOTAL to:	1372	3061	4646	5957
EU27	17585	40511	29654	35039	EU27	1189	1805	3352	4338
DE	3483	12120	7999	11129	CZ	242	358	374	647
ES	5887	6159	5824	6076	LT	299	676	462	547
IT	2977	9960	5656	4766	LV	4	4	125	484
GR	597	3775	2142	3202	DE	88	31	60	329
CZ	819	2344	2191	2798	EE	0	290	209	309
AT	318	1871	1286	1313	HU	8	54	303	245
BE	21	553	879	1192	IT	449	103	177	301
UK	7	721	643	1101	FI	0	52	0	142
					UK	0	56	6	117
third countries:	22981	30691	29256	39566	third countries:	183	1256	1294	1620
TR	2709	14526	14055	17775	RU	67	534	684	599
IN	13082	13656	13544	16101	UA	93	654	494	487
UZ	2531	709	693	1191	BY	4	55	83	367
TJ	0	70	0	978	TR	3	0	18	77
PK	197	318	22	721	IN	0	0	0	72
TM	737	482	216	544					

values”) oscillated over the period examined at around a level of approx. EUR 2,700 to EUR 2,500 per ton and were characterised by a downward tendency (see **Table 6**).

Internal EU producers’ prices were higher than those of producers from outside the EU, where the starting value in the year 2000 was similar. However, the fall in the prices of yarn from producers from outside the EU (from third party countries) was significantly higher than in the case of EU producers. Detailed results of the analysis of unit prices of c.y. producers from outside the EU are contained in **Table 10**. The table demonstrates that the highest prices on the EU market were achieved by suppliers from China, Peru and Egypt, while the lowest prices were from Uzbekistan, Turkmenistan and Zambia (see **Table 6**).

World Trade Organisation (WTO) – Doha Round: free-trade initiative on the cotton market

The cotton Yarn market is deeply integrated with tendencies and processes in the development of the cotton sector. Only in West Africa does this sector employ some 15 million people. In 2003 Four West African cotton producing nations: Benin, Burkina Faso, Mali and Chad campaigned at the World Trade Organisation (WTO) for the lifting of cotton subsidies by wealthier countries. Their economies largely depend on the world market price for cotton. However, this price is seriously distorted by subsidies granted in wealthier cotton-producing countries, particularly the USA and also, to a lesser extent, China and the EU. At the 2003 WTO Ministerial Conference in Cancun, the four West African na-

tions (the “Cotton Four” or “C4”) jointly spoke out against the distorting impact of export subsidies on cotton [4].

Cotton Subsidies in the world market and the WTO

Several major cotton producing countries protect their cotton sector by providing direct and indirect support to their farmers. Direct government assistance provided to the cotton sector worldwide was estimated to increase from \$4.7 billion in 2004/5 to 5 billion in 2005-6. Cotton farmers in China, the U.S. and the E.U. (Greece and Spain) receive the highest level of direct income and price support. In China, support of the cotton market was expected to double from \$1.1 billion in 2004/05 to \$2 billion in 2005/06. Responding to international pressure to cut their farm subsidies, the U.S. and European cotton support programs were set to decline slightly over the same period of time. In the U.S., support was to fall from \$2.39 billion in 2004/05 to \$1.918 billion in 2005/06. Similarly, the EU’s income support was to decrease from \$1.1 billion in 2004/05 to \$900 million in 2005/06. India as one of the world’s largest cotton producers does not make direct cash payments to its cotton farmers. Instead, the federal and state governments of India subsidise the purchase of water pumps, well bores, seeds and fertilisers [4].

The debate between developed and developing nations

Developing countries that grow cotton for export have reproached Western nations for granting their cotton farmers

Table 6. Prices of c.y. in the EU market and their dynamics (according to SITC code 8513); **Source:** own calculations based on [2].

	Market prices in thousands of euros / ton in the year				Price dynamics (year 2000=100) in the year				Price dynamics (Previous year=100)	
	2000	2004	2005	2006	2000	2004	2005	2006	2005/2004	2006/2005
Average prices of c.y. in the EU market	2.7	2.8	2.6	2.5	100.0	106.0	97.0	92.4	91.5	95
I. Prices of EU national producers	1.7	2.6	2.3	1.6	100.0	148.8	130.0	94.1	87.4	72
II. Prices of external producers	3.4	2.9	2.7	2.8	100.0	85.2	79.8	82.9	93.6	104
A. prices of external producers from EU members	3.4	3.2	3.0	3.1	100.0	92.4	88.1	90.8	95.4	103
Prices of producers from Poland	2.5	2.3	2.7	3.0	100.0	89.7	106.1	116.8	118.3	110
B. prices of producers from the third countries	3.4	2.7	2.5	2.7	100.0	78.7	72.8	77.5	92.4	106
IN	4.1	3.3	2.9	2.9	100.0	82.0	70.6	70.5	86.1	100
TR	2.9	2.3	2.2	2.3	100.0	79.7	73.3	78.5	92.0	107
PK	2.6	2.5	2.2	2.3	100.0	94.4	83.5	87.8	88.4	105
EG	4.8	3.7	3.7	4.4	100.0	76.7	77.1	91.5	100.5	119
CN	8.0	4.2	4.3	5.0	100.0	53.0	54.1	63.0	102.1	116
SY	2.7	2.1	1.9	2.0	100.0	77.5	73.1	73.9	94.2	101
UZ	2.5	2.1	1.7	1.8	100.0	85.1	70.3	71.3	82.5	102
ID	3.2	2.3	2.1	2.3	100.0	70.6	65.0	70.2	92.0	108
TH	3.5	2.6	2.4	2.6	100.0	75.1	68.6	72.7	91.4	106
PE	6.5	5.5	5.6	5.8	100.0	84.1	85.9	89.5	102.2	104
ZM	2.8	2.3	2.3	2.3	100.0	82.9	80.0	83.0	96.6	104
TM	2.8	2.2	1.9	1.9	100.0	79.8	67.9	67.0	3899.7	4361

trade-distorting subsidies. For West African nations, namely Mali, Burkina Faso, Chad and Benin, the revenue drawn from exporting cotton represents most of their national income. For these countries it is critical to receive a price that covers the cost of production faced by their cotton farmers. These countries argue that payments made to U.S. and European farmers encourage overproduction and lead to depressed world prices for cotton. A study conducted by the non-governmental organization Oxfam America in 2007 estimates that the elimination of U.S. cotton subsidies would increase the world price by between 6 and 14 percent.

Disputes regarding subsidies and trade issues are investigated and settled by the WTO. In 2002, Brazil brought a case against U.S. cotton subsidies that successfully led the U.S. government to cut some of its payments to farmers in 2006. In 2004, the West African nations of Mali, Burkina Faso, Benin and Chad proposed a cotton initiative requiring developed countries to cut trade-distorting subsidies that affect market access, domestic support and export competition. These countries also requested to receive financial compensation for losses incurred while these subsidies are phased out. As of 2007, no agreement had been reached. [5] In the year 2008 the Director General of the WTO, Mr. Lamy, acknowledged that members' views differ on how much subsidies in rich countries affect cotton prices globally. Whatever their views, the outcome will depend on a breakthrough in the negotiations, he said [6].

Production costs in the US are three times higher than those in West Africa, according to SOCO, but cotton farmers there benefit from as much as US\$4 billion a year in direct subsidies and support. That is more than the entire GDP of Burkina Faso, where 2 million people depend on growing cotton, observes the FAO report [7 - 8].

The issue of the elimination of subsidies in the cotton market is still under discussion [9]. During the conference in mid-December 2008 organized by the WTO, speakers said a broad approach is needed to solve the problems of the cotton sector. Steps should be taken to improve processing facilities in developing countries, to augment agricultural inputs and to bolster industrial organisation and storage. Speakers also called for measures to reduce the volatility of cotton

prices and to broaden the economic bases of developing countries so that they are less dependent on cotton exports. The meeting was told that there is a need for a **"Marshall Plan"** for the cotton sector [7 - 9].

The current global financial crisis will have significant effects on cotton exports, the African trade ministers and others warned. They added that climbing food prices and the demand for bio-fuels has pushed many farmers to shift away from cotton production.

UNCTAD's Secretary-General expressed his opinion during the conference in December 2008, stating that **"it is important at this point in time to eliminate trade-distorting measures and market-access barriers."** He said that another major issue involved in boosting the cotton exports of developing countries is improving the competitiveness of such nations [9].

■ Summary

- World c.y. production demonstrated significant growth between the years 2000 and 2006. This mainly took place over the last two to three years of this period. The reason behind this phenomenon is undoubtedly the elimination of import quotas by the WTO in 2005. The potential created was immediately taken advantage of by the three greatest potentates in the production of such yarn - China, India, and Pakistan - which increased their exports. This signifies a major increase in c.y. supply at significantly lowered prices. Other countries are behaving in a rather stable manner and most have even decreased their market share - i.e. the EU.
- The c.y. market volume in the EU showed a downward tendency over the period examined. The leading and growing positions were held by Italian companies which by the end of the period examined, increased their volume share on EU markets. Companies from Portugal were the largest producers, and companies from Spain, Germany, Czech Republic, Greece, Poland, Austria and Romania were next in the EU market.
- The c.y. market is deeply integrated with tendencies and processes in

the development of the cotton sector. Several major cotton producing countries protect their cotton sector by providing direct and indirect support to their farmers. The issue of the elimination of subsidies in the cotton market is still under discussion within the WTO/Doha Round and meetings of UNCTAD representatives. The elimination of trade-distorting measures and market-access barriers will possibly be obligatory in the nearest future in order to enhance the cotton exports of developing countries and to improve their competitiveness. It is especially important within the current global financial crisis.

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